United Nations A/57/746

General Assembly

Distr.: General
6 March 2003

Original: English

Fifty-seventh session
Agenda item 126
Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Feasibility of consolidating the accounts of the various peacekeeping operations

Report of the Secretary-General

Summary

The present report is submitted pursuant to paragraph 10 of General Assembly resolution 56/293 of 27 June 2002, in which the Assembly requested the Secretary-General to submit a report on the feasibility of consolidating the accounts of the different peacekeeping operations, while following the current practice of reporting, budgeting and financing of peacekeeping operations, in accordance with the existing Financial Regulations and Rules of the United Nations.

The report concludes that the two elements are inconsistent, but explores issues that would need to be addressed prior to the adoption of any decision to consolidate the peacekeeping accounts, as well as other issues related to the financing of peacekeeping operations.

Contents

		Paragraphs	Page
I.	Introduction	1–4	2
II.	Combination of peacekeeping accounts	5–20	2
	A. Potential benefits	5–6	2
	B. Issues raised by the combination of peacekeeping accounts	7–12	3
	C. Possible approach	13–20	4
III.	Action to be taken by the General Assembly	21	5

03-27101S (E) 260303

I. Introduction

1. In paragraph 10 of its resolution 56/293 of 27 June 2002, the General Assembly requested the Secretary-General to submit a report to the General Assembly at its fifty-seventh session on the feasibility of consolidating the accounts of the different peacekeeping operations, while following the current practice of reporting, budgeting and financing of peacekeeping operations, in accordance with the existing Financial Regulations and Rules of the United Nations.

2. The term "accounts" is defined as the official records of the income, expenditures, assets and liabilities of each peacekeeping operation. In order to determine how to comply with the provisions of this resolution, a review was first carried out on the compatibility of consolidating peacekeeping accounts while maintaining current practices.

3. The current practice can be summarized as described below. For each operation:

(a) A special account is maintained for the recording of income and expenditure;

(b) A separate budget is prepared and reported on;

(c) A separate resolution is adopted approving the budget and the method of financing;

(d) The timing of assessments is linked to the budget cycle (1 July to 30 June) and to the period of the mandate approved by the Security Council.

4. Clearly, the consolidation of the peacekeeping accounts is not compatible with current financial practices, which treat each peacekeeping mission independently. It is therefore not possible to implement the request within the framework set out in paragraph 10 of the resolution. It may be useful, however, to consider the possible benefits of consolidation and to examine the entire range of issues that would need to be taken into account before any consolidation of the accounts could be implemented.

II. Combination of peacekeeping accounts

A. Potential benefits

5. Consolidating the peacekeeping accounts could provide greater flexibility in utilizing peacekeeping resources. The pooling of accounts would eliminate the need for cross borrowing and could permit more consistent and timely reimbursement to troop-contributing Governments. Under the current practice, it is often necessary to defer payments for troops and contingent-owned equipment for a particular mission because of delays in the payment of assessed contributions for that mission. Furthermore, in its financing resolutions the General Assembly has decided that no peacekeeping mission shall be financed by borrowing funds from other active peacekeeping missions. Prompt payment of amounts owed to troop-contributing countries would, however, still depend on payment of assessed contributions by Member States.

6. Consolidation of the peacekeeping accounts could also streamline the legislative and administrative processes for the financing of peacekeeping operations if the General Assembly were to adopt only one peacekeeping financing

resolution and approve only one assessment on Member States. Possible procedures under such an approach are described in greater detail below.

B. Issues raised by the combination of peacekeeping accounts

7. If the General Assembly were to decide on consolidation, the issues would vary depending on whether all accounts were consolidated and whether this was done retroactively or prospectively. Under financial regulation 3.5, contributions are applied to the oldest outstanding arrears. If all peacekeeping accounts were consolidated retroactively, the outstanding contributions to each operation would be commingled. Under the current financial regulations and rules, payments would be applied to the oldest outstanding debt regardless of the origin of the debt. This would include outstanding contributions to the United Nations Operation in the Congo (ONUC) and the United Nations Emergency Force (UNEF I) which a number of Member States have not paid, and in respect of which the General Assembly has decided that the applicability of Article 19 will not be raised. The Assembly would have to consider the implications of consolidating peacekeeping accounts on the application of Article 19 in this context, as well as in the case of Member States specified in Assembly decision 49/470 of 23 December 1994. This decision excludes the peacekeeping arrears of those Member States arising before 1996 from the calculations for the application of Article 19.

8. If the General Assembly were to decide on the consolidation of peacekeeping accounts prospectively, that is only for future appropriations and assessments, amounts owed for these operations up to the date of consolidation would be mission specific while amounts owed thereafter would not. A mechanism for application of subsequent receipts would need to be developed, and financial regulations and rules might need to be changed.

Active peacekeeping missions

9. Should the General Assembly decide to combine the accounts of active peacekeeping missions only, and to do so prospectively, it would need to consider transitional measures to provide the missions with sufficient cash to cover their operating expenses from the date of consolidation until the receipt of new assessments. It would also be necessary to prioritize the settlement of liabilities since cash resources could be available in the new consolidated account to meet liabilities incurred from the date of consolidation, but may not be available in the separate accounts that would have been maintained for the prior periods.

Closed peacekeeping missions

10. At 30 June 2002 there were 20 closed peacekeeping missions with combined assets of $1,231.0 million and combined liabilities amounting to $462.0 million. The cash position of the 20 missions varied considerably. Twelve missions (UNMOT, MONUA, UNPREDEP, UNTAES, UNOMIL, UNPF, UNMIH, UNAMIR, ONUSAL, UNMLT, UNTAG and UNIIMOG) had sufficient cash to meet all of their respective outstanding liabilities and 8 missions (MIPONUH, MINURCA, MINUGUA, UNUMOZ, UNOSOM, UNTAC, UNEF and ONUC) did not have sufficient cash resources.

11. The status of the 12 closed missions with cash and the 8 closed missions with cash shortfalls is summarized below.

Cash position of closed missions at 30 June 2002

(Thousands of United States dollars)

	Closed missions with cash balances	*Closed missions with cash shortfalls*[a]
Cash balances	454 756	14 823
Less: required for strategic deployment stocks per General Assembly resolution 56/292	(141 546)	-
Less: total liabilities	(127 818)[b]	(206 796)
Net cash balance (shortfall)	**185 392**	**(191 973)**
Add: unpaid contributions	291 052	307 601
Add: other assets	30 493	4 901
Reserves and fund balances	**506 937**	**120 529**

[a] Excludes unrecorded contingent liabilities of approximately $12.5 million in respect of MONUA.

[b] Excludes $127,380,000 in credits in respect of UNPF expenditures that are reimbursable by Member States.

12. It should be noted that although 12 missions have sufficient cash resources to meet all of their respective outstanding liabilities, because of unpaid contributions by some Member States, they do not have sufficient cash to cover the full refund of their fund balances to Member States. In those missions therefore refunds would be limited to available cash. If the cash resources of all 20 missions were to be combined, no cash would be available to refund any of the fund balances to Member States.

C. Possible approach

13. While retroactive consolidation of all peacekeeping accounts may be a desired goal, a phased approach would seem more practical. As a first step, the accounts of the active peacekeeping missions could be consolidated retroactively, with separate accounts maintained for closed missions. These arrangements would ensure that, going forward, Member States and the peacekeeping operations would benefit from more efficient and flexible procedures for the financing of peacekeeping operations while avoiding issues pertaining to closed missions, including those outlined above.

14. The consolidation of accounts would require revision of the procedures presently in place for the appropriation and assessment of resources for peacekeeping operations. The established practice is for the General Assembly to request the Secretary-General to establish a special account for each new peacekeeping operation for the recording of income and expenditure, to approve separate appropriations and assessments and link assessments to the continuation of Security Council mandates. The current treatment of unencumbered balances and other income is to allocate them between Member States, applying each Member's

share to the next assessment, for those that have paid in full to the account, and to outstanding assessed contributions, for those that have not.

15. Under a consolidated account, the General Assembly could adopt a single resolution on the financing of peacekeeping operations, including the support account for peacekeeping operations and the United Nations Logistics Base (UNLB) at Brindisi. The resolution could contain a single amount to be appropriated and assessed on Member States, with each operation constituting a section, as is the case for the regular budget. The extent to which the Secretary-General would have authority to transfer funds between one peacekeeping operation and another peacekeeping operation would need to be defined by the Assembly. Assessments would also be de-linked from the continuation of Security Council mandates and only one peacekeeping assessment on Member States would be made at the beginning of the fiscal period and would cover all peacekeeping operations. This approach would streamline the budget approval process for the United Nations and reduce the number of legislative decisions required as well as the number of assessments. It would also facilitate planning for Member States.

16. Consistent with this approach, the treatment of unencumbered balances, interest and other miscellaneous income could be revised in order to streamline the assessment process further and to align it with that of the regular budget. Rather than apportioning these amounts among Member States and offsetting the shares of Member States whose contributions are paid in full against future assessments and applying the shares of Member States in arrears against their outstanding obligations, the aggregate of these amounts would be offset against the next appropriation for peacekeeping.

17. The initial financing of new peacekeeping operations could be provided in accordance with the provisions contained in sections IV and XI of General Assembly resolution 49/233 A of 23 December 1994 and paragraph 15 of Assembly resolution 56/292.

18. Under this approach, a consolidated summary of the budgetary requirements would serve as the basis for the General Assembly to appropriate funds and decide on the financing of peacekeeping operations. Separate annual budget and performance reports would, however, continue to be prepared for each peacekeeping operation as well as for the support account for peacekeeping operations and UNLB.

19. The financial statements for active missions would report on consolidated expenditures compared to the overall appropriation as well as by missions.

20. Final performance reports and annual updates are now issued for closed missions. If it were decided to consolidate the accounts of the active missions, final performance reports would not be required for these missions since the accounts would be open ended. However, final performance reports would continue to be submitted in respect of the closed missions, for which separate accounts would be maintained.

III. Action to be taken by the General Assembly

21. **The General Assembly may wish to consider the possible approach outlined above and provide guidance to the Secretariat in making detailed proposals in this regard.**